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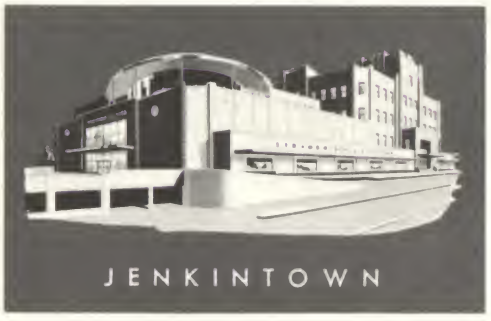
STRAWBRIDGE & CLOTHIER

ANNUAL REPORT FISCAL YEAR 1959

ended January 30, 1960



STRAWBRIDGE & CLOTHIER

ANNUAL REPORT

FISCAL YEAR 1959

ended January 30, 1960

PHILADELPHIA • ARDMORE • JENKINTOWN • WILMINGTON

BOARD OF DIRECTORS

DWIGHT G. PERKINS, *Chairman*

ROBERT E. STRAWBRIDGE
ISAAC H. CLOTHIER, JR.
FRANCIS R. STRAWBRIDGE
J. CLAYTON STRAWBRIDGE
DONALD C. MILLS
FRANCIS R. STRAWBRIDGE, JR.
G. STOCKTON STRAWBRIDGE
ROBERT E. STRAWBRIDGE, JR.
RANDALL E. COPELAND
FRANK R. VEALE

OFFICERS

DWIGHT G. PERKINS . . . . . *Chairman of the Board*
G. STOCKTON STRAWBRIDGE . . . . . *President*
RANDALL E. COPELAND . . . . . *Executive Vice-President*
J. CLAYTON STRAWBRIDGE . . . . . *Vice-President and Secretary*
FRANCIS R. STRAWBRIDGE, JR. . . . . *Vice-President and Assistant Secretary*
DONALD C. MILLS . . . . . *Vice-President and Treasurer*
FRANK R. VEALE . . . . . *Vice-President*
ROBERT E. SASS . . . . . *Assistant Treasurer*

TRANSFER AGENTS AND REGISTRARS

GIRARD TRUST CORN EXCHANGE BANK, Philadelphia, Pa.
TRANSFER AGENT *for the $5 Cumulative Preferred Stock and* REGISTRAR *for the Common Stock*

•

THE FIRST PENNSYLVANIA BANKING & TRUST COMPANY, Philadelphia, Pa.
TRANSFER AGENT *for the Common Stock and* REGISTRAR *for the $5 Cumulative Preferred Stock*

TO OUR SHAREHOLDERS:

By order of the Board of Directors this Annual Report for the fiscal year ended January 30, 1960 is submitted herewith. The Report includes a Summary of Income, Statement of Financial Condition and Statement of Stockholders' Investment, certified by Messrs. Ernst and Ernst, our independent public accountants.

EARNINGS AND OPERATIONS

We are pleased to report that Net Earnings for 1959 were $2,102,060 compared to $2,026,516 in 1958, an increase of approximately 4%. Earnings per share amounted to $2.17 for 1959, compared to $2.06 for 1958 and $1.98 for 1957.

Our sales volume during the first half of the year increased substantially. Sales results in the second half, while less favorable, were also greater than for the same period in 1958, providing a four store sales increase for the year.

For 1959 the Federal Reserve Bank reported an increase in sales for downtown department stores in Philadelphia, reflecting a reversal of the trend that had existed since 1950. We are pleased to report that our Main Store participated in this sales increase. In addition, all three of our Branch Stores—Ardmore, Jenkintown and Wilmington—attained new peaks in sales volume.

Once again the adjustment of merchandise inventories to the "LIFO" inventory basis reduced earnings before taxes as is indicated in the comparison of operating results below:

	1959	*1958*	*Increase Decrease**
Income before "LIFO" adjustment and taxes	$4,830,005	$4,662,502	$167,503
"LIFO" adjustment—increase	91,945	89,986	1,959
Income before taxes	4,738,060	4,572,516	165,544
Taxes on Income	2,636,000	2,546,000	90,000
Net Earnings	2,102,060	2,026,516	75,544
Cash Dividends on Preferred Stock	351,245	360,237	8,992*
Cash Dividends on Common Stock	807,076	807,018	58
Earnings retained for use in business	943,739	859,261	84,478

FINANCIAL CONDITION

Our sound financial condition continues to be a source of pride as is evidenced by the following comparisons:

	January 30, 1960	*January 31, 1959*	*Increase Decrease**
Current Assets	$33,703,133	$30,403,392	$3,299,741
Current Liabilities	8,687,148	6,590,846	2,096,302
Ratio Current Assets to Current Liabilities	3.88 to 1	4.61 to 1	
Working Capital	25,015,985	23,812,546	1,203,439
Long-Term Indebtedness	3,636,750	4,061,250	424,500*
Preferred Stock	6,979,900	7,159,100	179,200*
Common Stock Equity	30,946,201	30,008,889	937,312
Book Value per Share of Common Stock	38.34	37.18	1.16

Working capital reached another all time high at the end of the year. In compliance with the terms of our long-term loan agreement with the Philadelphia National Bank and the Penn Mutual Life Insurance Company, the principal amount was reduced by $500,000.00.

Regular quarterly dividends of $1.25 were paid on the $5 Cumulative Preferred Stock. The required sinking fund provision on $5 Cumulative Preferred Stock was fulfilled. Quarterly dividends of 25 cents were paid on the Common Stock.

IMPROVEMENTS

Last year's report made mention of a new service building that was under construction on Filbert Street. This new structure is now essentially complete and in use. It is our expectation to achieve a more efficient flow of merchandise to the selling areas of our business as well as economies in operation.

Recently we purchased three strategically located properties directly across Old York Road from our Jenkintown Store. This will make possible a substantial increase in our parking facilities necessary to accommodate the growth of our business in that area.

LOOKING AHEAD

It is with pleasure that we can report financing has been obtained permitting the development of the Cherry Hill Shopping Center at Route 38 and Haddonfield Road in Delaware Township, New Jersey. Last year's report made reference to the fact that we are financing and building our own store. The rest of the Center will be financed, constructed and leased by Community Research and Development, Inc., of Baltimore, Maryland, an organization well known for Shopping Center develop-

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LIABILITIES AND STOCKHOLDERS' INVESTMENT

	January 30, 1960	*January 31, 1959*
CURRENT LIABILITIES		
Term note installments maturing within one year	$ 424,500	$ 524,500
Accounts payable	2,787,226	2,877,891
Accrued accounts	728,182	692,100
Pay roll taxes and taxes withheld from employees	262,771	248,984
Federal, state, and local taxes—estimated	1,756,250	2,016,322
Deposits on U. S. Savings Bond subscriptions	26,450	29,280
Dividends payable	201,769	201,769
	$ 6,187,148	$ 6,590,846
Notes payable to banks (Note B)	2,500,000	-0-
TOTAL CURRENT LIABILITIES	$ 8,687,148	$ 6,590,846
TERM NOTES PAYABLE—Portion due after one year (Note D)	3,636,750	4,061,250
RESERVES		
For future income taxes (principally on installment sale gross profits)	2,361,662	2,155,662
For deferred compensation and contingencies	335,000	331,170
	$ 2,696,662	$ 2,486,832
TOTAL LIABILITIES	$15,020,560	$13,138,928
STOCKHOLDERS' INVESTMENT		
Capital stock:		
$5.00 Cumulative Preferred Stock, par value $100.00 a share, redeemable at $105.00 a share—at January 30, 1960, authorized 78,068 shares; outstanding 69,799 shares, after deducting 1,768 shares in treasury (outstanding at January 31, 1959, 71,591 shares) (Note C)	6,979,900	7,159,100
Common Stock, par value $5.00 a share—authorized 1,000,000 shares; outstanding 807,099 shares	4,035,495	4,035,495
Capital in addition to par value of shares	4,801,849	4,808,276
Earnings retained for use in the business	22,108,857	21,165,118
TOTAL STOCKHOLDERS' INVESTMENT	$37,926,101	$37,167,989
	$52,946,661	$50,306,917

LONG-TERM LEASE COMMITMENTS (Note E)

See notes to financial statements

STATEMENT OF STOCKHOLDERS' INVESTMENT

	Year Ended	
	January 30, 1960	*January 31, 1959*
CAPITAL STOCK		
Preferred Stock:		
Balance at beginning of year	$ 7,159,100	$ 7,341,700
Less shares acquired during year	179,200	182,600
	$ 6,979,900	$ 7,159,100
Common Stock:		
Balance at beginning and end of year	4,035,495	4,035,495
CAPITAL IN ADDITION TO PAR VALUE OF SHARES		
Balance at beginning of year	4,808,276	4,814,515
Deduct premium paid on acquisition of $5.00 Cumulative Preferred Stock for treasury	6,427	6,239
	$ 4,801,849	$ 4,808,276
EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	21,165,118	20,305,857
Add net earnings for the year	2,102,060	2,026,516
	$23,267,178	$22,332,373
Deduct:		
Cash dividends on Preferred Stock ($5.00 a share)	351,245	360,237
Cash dividends on Common Stock ($1.00 a share)	807,076	807,018
	$ 1,158,321	$ 1,167,255
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NOTES TO FINANCIAL STATEMENTS

Note A—Inventories of merchandise on hand and in transit are priced at cost on the last-in, first-out basis, determined under principles and by the use of published indices of price changes approved by the Commissioner of Internal Revenue with respect to department stores generally. Such basis of pricing resulted in aggregate amounts for inventories at January 30, 1960, and January 31, 1959, of approximately $2,395,000 and $2,303,000, respectively, less than the amounts which would have been determined under the retail inventory method without regard to last-in, first-out principles.

Note B—Under an agreement with an insurance company, the latter will purchase for $2,500,000 a new service building now being constructed, together with an adjacent building now owned by the Company, which is being altered and which will be connected to the new building. The entire property so conveyed will be leased from the insurance company for a period of twenty-five years (with options to renew at reduced rental or to purchase at the end of such term). at a fixed annual rental of $181,250, plus real estate taxes, insurance, and similar charges. As of January 30, 1960, the estimated cost to complete was approximately $390,000. Completion and conveyance to the insurance company is scheduled for May 1960. The proceeds of the conveyance will be applied to payment of bank loans incurred primarily for the purpose of financing this construction.

Note C—Sinking fund provisions of the $5.00 Cumulative Preferred Stock require that on April 1st of each year the Company shall redeem shares of such class of stock in an amount of par value equal to two per cent of the greatest amount at any time outstanding after February 1, 1948, and prior to the date of such redemption. In compliance with such provisions, 1,823 shares of the $5.00 Cumulative Preferred Stock were retired on April 1, 1959.

Dividends on the $5.00 Cumulative Preferred Stock have been paid to January 2, 1960, a dividend date.

Note D—The portion of term notes due after one year (amounts due within one year are included in current liabilities) consists of $36,750 payable to a bank in six quarterly installments of $6,125 each, commencing March 1, 1961, and $3,600,000 payable to an insurance company in semi-annual installments, commencing June 1, 1961, over a period of nine years. The loan agreement relating to the latter provides, among other things, that while the loan remains unpaid the Company will maintain minimum working capital of $10,000,000, and that the aggregate after January 31, 1953, of payments of dividends (other than dividends paid in capital stock of the Company) and purchases of capital stock will not exceed the sum of $4,000,000 plus the amount of earnings accumulated after January 31, 1953. The amount of earned surplus which was unrestricted by these provisions was $9,777,786 at January 30, 1960.

Note E—At January 30, 1960, the Company was lessee under four leases on store properties with terms, if renewal options are exercised, of not less than twenty years from the above date in each case. The annual rentals under these leases are conditional upon sales and the present aggregate minimum rentals under the leases are $357,000 per annum. See Note B for information relating to the new service building.

THIS IS THE FAMOUS

SEAL OF CONFIDENCE

. . . your constant assurance that today, as in 1868, the high principles of storekeeping established by Justus C. Strawbridge and Isaac H. Clothier govern the conduct of our business. Whenever your purchase depends on Confidence, depend on

STRAWBRIDGE & CLOTHIER